

## ORIGINAL BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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**COMMISSIONERS** 

**GARY PIERCE** 

**BOB STUMP** 

PAUL NEWMAN

SANDRA D. KENNEDY

KRISTIN K. MAYES, CHAIRMAN

OF SONOITA VALLEY WATER

IN THE MATTER OF THE

WATER COMPANY FOR

IMPROVEMENTS

FINANCE WATER SYSTEM

COMPANY FOR A RATE INCREASE

IN THE MATTER OF THE APPLICATION

APPLICATION OF SONOITA VALLEY

**AUTHORITY TO INCUR DEBT TO** 

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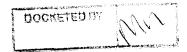
AZ CORP COMMISSION DOCKET CONTROL

Docket No. W-20435A-09-0296 W-20435A-09-0298

> SONOITA VALLEY WATER COMPANY'S STATUS REPORT

> > Arizona Corporation Commission
> >
> > DOCKETED

FEB 1 9 2010



Pursuant to court order at the hearing held on January 22, 2010, Sonoita Valley Water Company ("Company") submits its status report regarding the outstanding issues.

Arizona Corporation Commission ("Commission") Staff and the Company agree on nearly all points. At the hearing, Staff and the Company still held different positions on the following issues:

- Staff's determination that the interconnection of the Sonoita and Los Encinos systems was not used and useful;
- The possible need for a new well;

- Whether the Company could "phase-in" project improvements without incurring debt unnecessarily; and
- The deadlines for finishing the projects.

The issue regarding the interconnection is before the court to make its determination and no further argument was offered by Staff, and likewise, the Company does not believe additional argument is necessary.

## New Well

In its status report, Staff suggests an approach that would allow the Company an opportunity to drill a new supply well if the Company establishes a need for a new well in consultation with Staff. The Company agrees this approach is reasonable and supports Staff's position.

## **Project Phasing**

In response to the court's request to address customer rate shock, the Company suggested that the project could be completed in phases to reduce rate shock. At the hearing, the Company and Staff had a different understanding of how WIFA financing works and whether project phasing would result in the Company paying unreasonable financing charges. In response to Staff's position, the Company took the position that it could build the necessary improvement at one time rather than adopting a phase-in approach.

Nevertheless, Staff now has noted that the Company may be able to stagger separate WIFA loans, and thereby build the project in phases without incurring unreasonable finance charges by taking separate loans from WIFA. The Company has

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confirmed with WIFA that it may be able to enter into two loans with the Company provided that the Commission Order grants the Company this ability. Thus, consistent with Staff's position, the Company believes that the order should approve the request for financing and provide that the Company can enter into two loans with WIFA provided the cumulative amount of principal borrowed does not exceed \$656,271.

## **Deadlines**

The Company appreciates Staff's willingness to grant the Company until June 30, 2011 to file approvals of construction. However, if the project phasing is approved, the Company suggests that the approvals of construction for the first phase be filed by June 30, 2011 and the approvals of construction for the second phase be filed by December 31, 2012.

DATED this 19<sup>th</sup> day of February, 2010.

MOYES SELLERS & SIMS LTD.

to Meno

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Original and 15 copies filed this 19th day of February, 2010, with:

Docket Control **Arizona Corporation Commission** 1200 West Washington Street Phoenix, Arizona 85007

Copy of the foregoing mailed this 19<sup>th</sup> day of February, 2010, to:

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